

Confederation of Health Service Employees 1974 Pension & Assurance Scheme

Statement of Investment Principles – December 2021

1. Introduction

The Trustees of the Confederation of Health Service Employees 1974 Pension & Assurance Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

In preparing this Statement the Trustees have consulted the Sponsoring Employer (“UNISON”) to ascertain whether there are any material issues which, in UNISON’s view, the Trustees should take into account in agreeing the Scheme’s investment arrangements.

2. Process for Choosing Investments

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of their investment consultant, Mercer Limited (the “Investment Consultant”), whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees’ investment powers are set out in the Scheme’s governing documentation and relevant legislation. If necessary, the Trustees will take appropriate legal advice regarding the interpretation of these. The ultimate power and responsibility for deciding investment policy, however, lies with the Trustees.

As described in this Statement, the Trustees have taken the decision to secure a bulk annuity policy to help ensure it is able to meet the benefits payable to members of the Scheme.

3. Investment Objectives

The Trustees’ duty is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of Scheme assets and control of the various risks to which the Scheme is exposed. The Trustees’ primary objectives are as follows:

- To ensure that there are sufficient assets to cover the benefit promises accrued at any particular point in time (as defined by the Scheme’s actuarial assumptions), without placing unnecessary financial burden on UNISON, and without resorting to a high risk profile.
- To pay due regard to UNISON’s interests in the size and volatility of potential future contribution payments.

The Trustees have invested the majority of the Scheme’s assets in a bulk annuity contract with an insurer, Just Group plc (“JUST”). The contract with JUST is a buy-in policy. In addition to the buy-in policy, a small ongoing cash balance will be held in the Trustee bank account. This is used to help meet future benefit accrual, ongoing expenses, final wind-up costs of the Scheme and any imminent member payments/ adjustments.

4. Risk Management and Measurement

There are various risks to which the Scheme is exposed, albeit these have, to a large extent, been mitigated by investing in the bulk annuity policy.

- The principal risk facing the Trustees and the Scheme's members is that JUST may default on their obligations under the annuity contract to meet all accrued benefits (as contracted). Before entering into the contract with JUST, the Trustees obtained and carefully considered professional advice regarding the financial strength of JUST and concluded that this risk was acceptably low.
- Liquidity risk is managed by maintaining a cash balance in the Trustee bank account and by working closely with the Sponsoring Employer in relation to possible future cashflow requirements. It is recognised that the insurance policy held with JUST is not liquid and therefore is intended to be held for the life of the policy.
- Environmental, Social and Governance risks (including but not limited to climate change) are recognised and these risks are considered to be financially material. The Trustees may from time-to-time ask JUST to comment on the integration of ESG, where relevant, in the assets underlying the insurance policy.

The risk and other factors set out above are those that the Trustees determine to be financially material over the Scheme's anticipated lifetime. Other risks, such as regulatory risk and operational risk are considered and monitored as appropriate.

5. Investment Strategy and Day-to-Day Management of the Assets

Since June 2021, the Scheme has held a bulk annuity contract with JUST which accounts for the vast majority of the Scheme's assets. The annuity provider is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and is registered in the United Kingdom. The Scheme also has a small ongoing cash balance in the Trustee bank account.

6. Realisation of Investments

JUST, via the bulk annuity policy, provides a monthly annuity income to the Scheme to allow the Trustees to meet monthly cashflow requirements. Lump sum payments from the insurer are paid if members transfer out of the Scheme and to allow the Trustees to meet retirement lump sums. A small ongoing balance will remain in the Trustee bank account and this will be used to meet the final wind-up costs and any imminent member payments/adjustments.

7. Investment Manager Appointment, Engagement and Monitoring

The purchase of the bulk annuity contract means the Trustees do not expect to hold investments with an asset manager going forward. The Scheme's previous Statement outlined the Trustees' approach in this area but this is now considered not to be relevant.

8. Review of this Statement

The Trustees will review this Statement from time-to-time as appropriate, and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.